



MERA FONG CITY LOCAL MUNICIPALITY FINANCIAL STATEMENTS AS AT 30 JUNE 2006

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MERA FONG CITY LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	<u>Notes</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
<u>NET ASSETS AND LIABILITIES</u>			
<u>Net Assets</u>		80,393,261	31,933,447
Housing Development Fund	1	1,254,828	1,254,828
Government Grant Reserve		58,529,771	34,589,473
Accumulated Surplus/(Deficit)		20,608,662	(3,910,854)
<u>Non-current Liabilities</u>		68,484,314	22,389,725
Long-term Liabilities	2	68,484,314	22,389,725
<u>Current Liabilities</u>		103,993,265	130,404,561
Consumer Deposits	3	6,253,762	7,191,118
Provisions	4	2,964,454	2,216,942
Creditors	5	38,585,244	40,713,701
Unspent conditional grants and receipts	6	49,872,419	28,304,338
VAT	7	0	58,424
Bank overdraft	15	1,790,402	0
Current portion of Long-term Liabilities	2	4,526,984	51,920,038
<u>Total Net Assets and Liabilities</u>		<u>252,870,840</u>	<u>184,727,733</u>
<u>ASSETS</u>			
<u>Non-current Assets</u>		102,538,606	111,924,373
Property, Plant and Equipment	8	85,909,621	62,329,565
Investments	9	16,615,812	49,575,412
Long-term Receivables	10	13,173	19,396
<u>Current Assets</u>		150,332,234	72,803,360
Inventory	11	5,587,540	5,931,499
Consumer Debtors	12	39,920,437	43,930,312
Other Debtors	13	5,408,498	1,055,864
VAT	7	14,909,236	0
Current portion of Long-term Receivables	10	830,507	1,100,703
Call Investment Deposits	14	83,676,016	18,644,177
Bank balances and cash	15	0	2,140,805
<u>Total Assets</u>		<u>252,870,840</u>	<u>184,727,733</u>



MERAFONG CITY LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006

	<u>Notes</u>	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
<u>REVENUE</u>			
Property rates	16	47,246,150	50,349,587
Property rates - penalties imposed and collection charges		3,316,870	0
Service charges	17	148,393,186	145,476,728
Rental of facilities and equipment		1,472,350	1,296,831
Interest earned - external investments		8,657,831	6,586,423
Interest earned - outstanding debtors		5,667,392	3,661,897
Fines		2,375,675	2,168,140
Licenses and permits		2,500	2,893,187
Income for agency services		8,509,250	4,948,878
Government grants and subsidies	18	94,639,284	76,062,660
Other income	19	20,087,103	7,168,517
Public contributions and donations		1,094,629	0
Gains on disposal of property, plant and equipment		3,810,805	1,735,433
<u>TOTAL REVENUE</u>		<u>345,273,025</u>	<u>302,348,281</u>
<u>EXPENDITURE</u>			
Employee related costs	20	107,240,223	96,075,323
Remuneration of Councillors	21	8,225,964	6,385,628
Collection costs		169,418	217,739
Depreciation		3,225,039	1,419,388
Repairs and maintenance		10,123,893	8,485,380
Interest paid	22	11,419,283	11,657,388
Bulk purchases	23	64,886,835	63,231,702
Contracted services		14,848,094	8,320,444
Grants and subsidies paid		3,608,601	2,264,884
General expenses		37,843,447	36,383,259
Loss on disposal of property, plant and equipment		0	28,563
<u>TOTAL EXPENDITURE</u>		<u>261,590,797</u>	<u>234,469,698</u>
<u>SURPLUS/(DEFICIT) FOR THE YEAR</u>		<u>83,682,228</u>	<u>67,878,583</u>

Refer to Appendix E(1) for the comparison with the approved budget



MERAFONG CITY LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	<u>Pre Grap Reserves and Funds</u>	<u>Housing Development Fund</u>	<u>Government Grant Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
<u>2005</u>					
Balance at 1 July 2004	68,217,870	0	0	39,130,866	107,348,736
Change in accounting policy (Note 26.7)	(68,217,870)	1,254,828	10,937,924	25,691,400	(30,333,718)
Correction of error (Note 27)				1,342,571	1,342,571
Restated balance	0	1,254,828	10,937,924	66,164,837	78,357,589
Capital grants used to purchase PPE			24,160,893	(24,160,893)	0
Offsetting of depreciation			(509,344)	509,344	0
Transfer to Provision for Bad Debt				(45,402,554)	(45,402,554)
Transfer to Provision for Leave Pay				(1,021,588)	(1,021,588)
<u>Balance at 30 June 2005</u>	<u>0</u>	<u>1,254,828</u>	<u>34,589,473</u>	<u>(3,910,854)</u>	<u>31,933,447</u>
<u>2006</u>					
Balance at 1 July 2005					31,933,447
<u>Surplus/(deficit) for the year</u>				83,682,228	83,682,228
Transfer to Provision for Bad Debt				(34,982,578)	(34,982,578)
Transfer to Provision for Long Service				(181,764)	(181,764)
Transfer to Provision for Leave Pay				151,879	151,879
Transfer to Provision for Performance Bonus				(209,951)	(209,951)
Capital grants used to purchase PPE			26,033,669	(26,033,669)	0
Offsetting of depreciation			(2,093,371)	2,093,371	-
<u>Balance at 30 June 2006</u>	<u>0</u>	<u>1,254,828</u>	<u>58,529,771</u>	<u>20,608,662</u>	<u>80,393,261</u>



MERA FONG CITY LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Cash receipts from ratepayers, government and other		327,480,650	284,927,965
Cash paid to suppliers and employees		(263,032,054)	(233,050,031)
Cash generated from operations	28	64,448,596	51,877,934
Interest received		8,657,831	6,586,423
Interest paid		(11,419,283)	(11,657,388)
<u>NET CASH FROM OPERATING ACTIVITIES</u>		61,687,144	46,806,969
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment		(27,598,462)	(25,502,561)
Proceeds on disposal of property, plant and equipment		3,810,805	1,706,870
(Increase)/decrease in non-current receivables		610,703	11,695
Increase in non-current investments		32,959,600	3,110,451
<u>NET CASH FROM INVESTING ACTIVITIES</u>		9,782,646	(20,673,545)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
New loans raised		50,657,847	170,966
New loans (repaid)		(51,956,312)	(2,649,827)
Increase in consumer deposits		(937,355)	348,700
<u>NET CASH FROM FINANCING ACTIVITIES</u>		(2,235,820)	(2,130,161)
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>		69,233,970	24,003,263
Cash and cash equivalents at the beginning of the year		6,668,715	(17,334,548)
Cash and cash equivalents at the end of the year	29	75,902,686	6,668,715



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	<u>2006</u> R	<u>2005</u> R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	1,254,828	1,254,828
Unappropriated Surplus	<u>1,254,828</u>	<u>1,254,828</u>
The Housing Development Fund is represented by the following assets and liabilities		
Bank and cash	1,254,828	1,254,828
Total Housing Development Fund Assets and Liabilities	<u>1,254,828</u>	<u>1,254,828</u>
2 LONG-TERM LIABILITIES		
	73,011,298	74,309,763
Local Registered Stock Loans	5,100,000	55,400,000
Annuity Loans	65,883,595	15,917,719
Finance Leases	<u>2,027,703</u>	<u>2,992,044</u>
Less : Current portion transferred to current liabilities	(4,526,984)	(51,920,038)
Local Registered Stock Loans	-	(50,300,000)
Annuity Loans	(3,621,989)	(655,696)
Finance Leases	<u>(904,995)</u>	<u>(964,342)</u>
Total External Loans	<u>68,484,314</u>	<u>22,389,725</u>
Refer to Appendix A for more detail on long-term liabilities.		
Carrying value of certain External Loans could not be determined due to the former Carletonville Council that made use of a Consolidated Loans Fund. External Loans were deposited into the Fund. Various projects were financed out of the Fund		
3 CONSUMER DEPOSITS		
Electricity and Water	6,253,762	7,191,118
Total Consumer Deposits	<u>6,253,762</u>	<u>7,191,118</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>1,336,095</u>	<u>1,654,405</u>
4 PROVISIONS		
Performance bonus	1,336,247	1,126,296
Redundant Stock	1,229,897	874,100
Long-service provision	398,310	216,546
Total Provisions	<u>2,964,454</u>	<u>2,216,942</u>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Performance bonuses are provided at 12% of the packages of section 57 employees and Managers with performance contracts as stated in the contracts.

Redundant Stock are provided for stock with no movement in the past 400 days



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The movement in current provisions are reconciled as follows: -

	<u>Performance Bonus</u>	<u>Redundant Stock</u>	<u>Current portion Long-service</u>
30 June 2006			
Balance at beginning of year	1,126,296	874,100	216,546
Contributions to provision	1,192,024	355,797	181,764
Expenditure incurred	(982,073)	0	0
Balance at end of year	1,336,247	1,229,897	398,310

30 June 2005			
Balance at beginning of year	0	0	0
Contributions to provision	1,126,296	874,100	216,546
Expenditure incurred	0	0	0
Balance at end of year	1,126,296	874,100	216,546

	2006	2005
	R	R
Trade creditors	15,523,007	9,280,962
Payments received in advance	5,025,041	7,752,615
Retentions	37,775	486,164
Leave Pay	7,453,558	7,605,437
Outstanding Cheques	5,982,928	14,116,267
Other creditors	4,562,936	1,472,256
	38,585,244	40,713,701

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

6.1 Conditional Grants from other spheres of Government	48,667,420	28,304,338
MIG Grants	16,965,067	4,882,639
PHB Gauteng	7,058,879	7,502,265
PHB North-West	15,144,786	6,227,015
DPLG	5,323,525	8,849,005
CMIP	16,687	16,687
Public Works	88,353	96,689
Dept. of Sports Art and	7,382	7,382
GAUTRANS	378,995	0
WRDM	3,224,999	218,309
Provincial LED Projects	458,747	504,347
6.2 Other Conditional Receipts	1,204,999	0
NLDTF	1,157,778	0
DBSA	0	0
NER	0	0
Public contributions	47,221	0
Total Conditional Grants and Receipts	49,872,419	28,304,338

See Note 18 for reconciliation of grants from other spheres of
These amounts are invested in a ring-fenced investment until
utilized.

7 VAT

SARS (VAT)	6,592,051	18,737,086
Less: VAT included in Debtors	(21,501,287)	(18,678,662)
	(14,909,236)	58,424



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

8 PROPERTY, PLANT AND EQUIPMENT

30-Jun-06						
Reconciliation of Carrying	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2005	2,503,435	34,706,566	13,747,696	122,698	11,249,170	62,329,565
Cost	77,933,037	256,150,194	21,500,932	122,698	46,391,133	402,097,994
Correction of error (note 27)						0
Accumulated depreciation	(75,429,602)	(221,443,628)	(7,753,236)	0	(35,141,963)	(339,768,429)
Acquisitions	7,200,387	17,865,053	1,177,960	0	1,355,062	27,598,462
Capital under Construction						
Depreciation	(103,049)	(2,109,258)	(7,480)	0	(1,005,251)	(3,225,038)
Carrying value of disposals	0	0	0	0	(793,368)	(793,368)
Cost	0	0	0	0	(7,631,407)	(7,631,407)
Accumulated depreciation	0	0	0	0	6,838,039	6,838,039
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2006	9,600,773	50,462,361	14,918,176	122,698	10,805,613	85,909,621
Cost	85,133,424	274,015,247	22,678,892	122,698	40,114,788	422,065,049
Accumulated depreciation	(75,532,651)	(223,552,886)	(7,760,716)	0	(29,309,175)	(336,155,428)

30-Jun-05						
Reconciliation of Carrying	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2004	1,050,789	12,325,327	13,621,732	122,698	11,198,076	38,318,622
Cost	76,439,628	233,104,101	21,369,337	122,698	45,588,232	376,623,996
Correction of error (note 27)						0
Accumulated depreciation	(75,388,839)	(220,778,774)	(7,747,605)	0	(34,390,156)	(338,305,374)
Acquisitions	1,493,409	23,046,093	131,595	0	831,464	25,502,561
Capital under Construction						0
Depreciation	(40,763)	(664,854)	(5,631)		(780,690)	(1,491,938)
Carrying value of disposals	0	0	0	0	320	320
Cost	0	0	0	0	(28,563)	(28,563)
Accumulated depreciation	0	0	0	0	28,883	28,883
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2005	2,503,435	34,706,566	13,747,696	122,698	11,249,170	62,329,565
Cost	77,933,037	256,150,194	21,500,932	122,698	46,391,133	402,097,994
Accumulated depreciation	(75,429,602)	(221,443,628)	(7,753,236)	-	(35,141,963)	(339,768,429)

Refer to Appendix B for more detail on property, plant and equipment.



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

9 INVESTMENTS

Financial Instruments	16,615,812	49,575,412
Fixed Deposits	<u>16,615,812</u>	<u>49,575,412</u>

Pledged Investments

Fixed deposits amounting to R16 582 128 has been invested as security for the External Loan with Nedbank and INCA

10 LONG-TERM RECEIVABLES

	843,680	1,120,100
Consumer Loans	131,699	373,594
Study Loans	0	979
Computer Loans	19,396	25,620
Bursaries	692,585	719,907

Less : Current portion transferred to current receivables

	(830,507)	(1,100,703)
Consumer Loans	(131,698)	(373,593)
Study Loans	-	(979)
Computer Loans	(6,224)	(6,224)
Bursaries	(692,585)	(719,907)

Total	<u>13,173</u>	<u>19,396</u>
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Bursaries

Bursaries were granted in terms of a specific policy at an interest rate of 8% if the candidate pass or 10% if they fail their academic year.

Computer Loans

Computer loans are charged at an interest rate equivalent to the rate that Council invest funds during the year.

Consumer Loans

Consumer Loans are granted to consumers for the purchase of stands and are charged interest equal to the prevailing prime rate.

11 INVENTORY

Consumable stores – at cost	5,236,897	5,598,736
Potable Water	350,643	332,763
Vacant Stands	0	0
	<u>5,587,540</u>	<u>5,931,499</u>



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

12 CONSUMER DEBTORS

	Gross Balances	Provision for	Net Balance
<u>As at 30 June 2006</u>	<u>R</u>	<u>Bad Debts</u>	<u>R</u>
<u>Service debtors</u>			
Rates	44,382,292	31,975,833	12,406,459
Electricity	14,909,126	4,959,602	9,949,524
Water	72,254,009	55,913,693	16,340,316
Sewerage	21,261,784	15,830,741	5,431,043
Refuse Removal	35,385,228	26,940,555	8,444,673
Sundry	72,148,393	63,298,684	8,849,709
Sub Total	260,340,832	198,919,108	61,421,724
Less VAT Included in Debtors	(21,501,287)	0	(21,501,287)
	238,839,545	198,919,108	39,920,437

	Gross Balances	Provision for	Net Balance
<u>As at 30 June 2005</u>	<u>R</u>	<u>Bad Debts</u>	<u>R</u>
<u>Service debtors</u>			
Rates	37,635,763	27,109,040	10,526,723
Electricity	13,899,791	10,012,019	3,887,772
Water	68,675,045	49,461,900	19,213,145
Sewerage	16,910,207	12,180,422	4,729,785
Refuse Removal	28,181,903	20,299,425	7,882,478
Sundry	61,242,797	44,873,726	16,369,071
Total	226,545,506	163,936,532	62,608,974
Less VAT Included in Debtors	(18,678,662)	0	(18,678,662)
	207,866,844	163,936,532	43,930,312

	<u>2006</u>	<u>2005</u>
	<u>R</u>	<u>R</u>
<u>Rates: Ageing</u>		
Current (0 – 30 days)	3,431,526	4,180,172
31 - 60 Days	2,157,796	1,174,616
61 - 90 Days	1,372,015	979,930
91 - 120 Days	1,363,407	1,389,767
121 - 365 Days	7,149,484	9,764,675
+ 365 Days	8,908,064	20,146,603
Total	24,382,292	37,635,763

<u>(Electricity, Water, Sewerage, Refuse and Other): Ageing</u>		
Current (0 – 30 days)	15,341,571	26,477,284
31 - 60 Days	11,262,468	4,270,555
61 - 90 Days	6,004,743	5,190,949
91 - 120 Days	4,721,526	4,358,344
121 - 365 Days	26,018,172	40,279,105
+ 365 Days	152,610,060	108,333,506
Total	215,958,540	188,909,743

<u>Summary of Debtors by</u>	<u>Consumers</u>	<u>Industrial/</u>	<u>National and</u>
<u>Customer Classification</u>		<u>Commercial</u>	<u>Provincial</u>
<u>30 June 2006</u>	<u>R</u>	<u>R</u>	<u>R</u>
Current (0 – 30 days)	18,000,405	480,166	292,527
31 - 60 Days	12,865,875	277,393	276,996
61 - 90 Days	7,015,612	90,999	270,147
91 - 120 Days	5,727,342	85,145	272,446
121 - 365 Days	210,007,064	451,180	4,227,535
Total debtors by customer			
classification	253,616,298	1,384,883	5,339,651



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

**Summary of Debtors by
Customer Classification**

30 June 2005

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 – 30 days)	28,989,105	1,045,928	622,423
31 - 60 Days	5,223,078	82,232	139,861
61 - 90 Days	5,974,150	33,887	162,842
91 - 120 Days	5,100,989	413,477	233,645
121 - 365 Days	173,150,495	73,073	5,300,321
Total debtors by customer classification	218,437,817	1,648,597	6,459,092

Reconciliation of the Bad Debt Provision

	2006 R	2005 R
Balance at beginning of the year	163,936,532	118,533,978
Contributions to provision	34,982,576	45,402,554
Bad debts written off against provision	0	0
Reversal of provision	0	0
Balance at end of year	198,919,108	163,936,532

13 OTHER DEBTORS

Payments made in advance	4,564	1,055,864
Irregular Expenditure (see Note 30.2)	886,554	0
Government subsidies	4,517,380	0
Total Other Debtors	5,408,498	1,055,864

14 CALL INVESTMENT DEPOSITS

Other Deposits	83,676,016	18,644,177
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Deposits amounting to R49 872 419 (2005: R29 575 833) have been ring-fenced for the purposes of unutilised Government Receipts in Note 6



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

<u>15 BANK, CASH AND OVERDRAFT BALANCES</u>	<u>2006</u>	<u>2005</u>
<u>Current Account (Primary Bank Account)</u>		
<u>ABSA Bank Ltd - Carletonville Branch</u>		
<u>Account Number - 3 000-0000-2</u>		
Cashbook Balance at the beginning of the year - Overdrawn	(12,519,790)	(17,426,673)
Less: Outstanding Cheques	14,116,267	13,133,837
	<u>1,596,477</u>	<u>(4,292,836)</u>
Cashbook Balance at the end of the year - Overdrawn	(8,029,927)	(12,519,790)
Less: Outstanding Cheques	5,982,928	14,116,267
	<u>(2,046,999)</u>	<u>1,596,477</u>
Bank Statement Balance at the beginning of the year	1,655,936	5,671,772
Bank Statement Balance at the end of the year - Overdrawn	(2,584,378)	1,655,936
<u>Current Account</u>		
<u>ABSA Bank Ltd - Carletonville Branch</u>		
<u>Account No. 16-1000-0017 (Fochville Account)</u>		
Cashbook Balance at the beginning of the year	507,837	22,957
Cashbook Balance at the end of the year	19,467	507,837
Bank Statement Balance at the beginning of the year	507,747	237,794
Bank Statement Balance at the end of the year	19,467	507,747
<u>Current Account</u>		
<u>ABSA Bank Ltd - Carletonville Branch</u>		
<u>Account No. 140-6380-8201 (Merafong Traffic Account)</u>		
Cashbook Balance at the beginning of the year	0	0
Cashbook Balance at the end of the year	141,565	0
Bank Statement Balance at the beginning of the year	0	0
Bank Statement Balance at the end of the year	141,565	0
<u>Current Account</u>		
<u>ABSA Bank Ltd - Carletonville Branch</u>		
<u>Account No. 40-6391-4228 (Merafong Disaster Fund account)</u>		
Cashbook Balance at the beginning of the year	0	0
Cashbook Balance at the end of the year	66,126	0
Bank Statement Balance at the beginning of the year	0	0
Bank Statement Balance at the end of the year	66,126	0



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Current Account

ABSA Bank Ltd - Carletonville Branch

Account No. 40-6061-4407 (Special Projects)

Cashbook Balance at the beginning of the year	18,785	0
Cashbook Balance at the end of the year	9,226	18,785
Bank Statement Balance at the beginning of the year	18,785	0
Bank Statement Balance at the end of the year	9,226	18,785

Petty Cash

Balance at the beginning of the year	17,706	22,390
Balance at the end of the year	20,213	17,706

<u>TOTAL CASHBOOK (OVERDRAFT) BALANCE</u>	<u>(1,790,402)</u>	<u>2,140,805</u>
--	---------------------------	-------------------------

16 PROPERTY RATES

<u>Actual</u>	<u>2006</u>	<u>2005</u>
Residential	46,514,048	49,605,990
State	732,102	743,597
Total Assessment Rates	<u>47,246,150</u>	<u>50,349,587</u>

<u>Valuations</u>	<u>2006</u>	<u>2005</u>
	<u>R000's</u>	<u>R000's</u>
Residential	273,322	285,077
Commercial	76,510	77,206
State	4,439	3,157
Municipal	1,431	1,415
Total Property Valuations	<u>355,702</u>	<u>366,855</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.0176 (2004: R0.0165) is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners and 15% on Agricultural and Business properties. Rates are levied on a monthly basis on property owners. Interest at Prime is levied on outstanding rates.

17 SERVICE CHARGES

Sale of electricity	76,368,186	76,050,959
Sale of water	39,471,312	36,765,964
Refuse removal	19,063,408	19,547,314
Sewerage and sanitation charges	13,490,280	13,112,491
Total Service Charges	<u>148,393,186</u>	<u>145,476,728</u>



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	59,316,957	41,940,967
Health subsidies	3,957,506	2,802,069
Government Grants received	31,364,821	31,319,624
Total Government Grant	94,639,284	76,062,660

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R146.55 (2005: R138.55), which is funded from this grant.

18.2 Provincial Health Subsidies

Balance unspent at beginning of year	0	-
Current year receipts - included in public health vote	3,957,507	2,802,069
Conditions met - transferred to revenue	(3,957,507)	(2,802,069)
Conditions still to be met - transferred to liabilities (see note 6)	0	0

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

18.3 MIG Grant

Balance unspent at beginning of year	4,882,639	0
Current year receipts	27,173,297	27,744,113
Conditions met - transferred to revenue	(15,090,869)	(22,861,474)
Conditions still to be met - transferred to liabilities (see note 6)	16,965,067	4,882,639

This grant was used to construct various infrastructure assets. No funds have been withheld.

18.4 Provincial LED Projects

Balance unspent at beginning of year	504,347	511,330
Current year receipts	0	0
Conditions met - transferred to revenue	(45,600)	(6,983)
Conditions still to be met - transferred to liabilities (see note 6)	458,747	504,347

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

18.5 CMIP

Balance unspent at beginning of year	16,687	16,687
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities (see note 6)	16,687	16,687

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld.



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18.6 Department of Sports and Recreation

Balance unspent at beginning of year	7,382	7,382
Conditions still to be met - transferred to liabilities (see note 6)	<u>7,382</u>	<u>7,382</u>

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.7 DPLG

Balance unspent at beginning of year	8,849,005	3,615,268
Current year receipts	987,886	7,066,531
Conditions met - transferred to revenue	<u>(4,513,366)</u>	<u>(1,832,794)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>5,323,525</u>	<u>8,849,005</u>

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.8 Gauteng Provincial Housing Board

Balance unspent at beginning of year	7,502,265	5,882,569
Current year receipts	3,346,175	6,477,921
Conditions met - transferred to revenue	<u>(3,789,561)</u>	<u>(4,858,225)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>7,058,879</u>	<u>7,502,265</u>

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.9 North West Provincial Housing Board

Balance unspent at beginning of year	6,227,015	1,056,000
Current year receipts	13,615,998	6,159,406
Conditions met - transferred to revenue	<u>(4,698,227)</u>	<u>(988,391)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>15,144,786</u>	<u>6,227,015</u>

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.10 Public Works

Balance unspent at beginning of year	96,689	98,932
Current year receipts	0	88,668
Conditions met - transferred to revenue	<u>(8,336)</u>	<u>(90,911)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>88,353</u>	<u>96,689</u>

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18.11 West Rand District Municipality

Balance unspent at beginning of year	218,309	161,093
Current year receipts	3,269,194	353,575
Conditions met - transferred to revenue	(262,504)	(296,359)
Conditions still to be met - transferred to liabilities (see note 6)	<u>3,224,999</u>	<u>218,309</u>

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.12 GAUTRANS

Balance unspent at beginning of year	0	0
Current year receipts	3,325,280	0
Conditions met - transferred to revenue	(2,946,285)	0
Conditions still to be met - transferred to liabilities (see note 6)	<u>378,995</u>	<u>0</u>

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

18.13 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, 2006, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19 OTHER INCOME

Additional VAT Claim	15,526,263	
Other Income	4,560,840	7,168,517
Total Other Income	<u>20,087,103</u>	<u>7,168,517</u>

20 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	71,912,576	65,759,592
Employee related costs - Contributions for UIF, pensions and medical aids	22,160,849	18,658,685
Travel, motor car, accommodation, subsistence and other allowances	5,356,642	5,105,821
Housing benefits and allowances	1,895,980	2,038,637
Overtime payments	4,496,582	3,991,022
Performance bonus	982,073	0
Long-service awards	435,521	521,566
Total Employee Related	<u>107,240,223</u>	<u>96,075,323</u>

There were no advances to employees. Loans to employees are set out in note 10.



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Remuneration of the Municipal Manager

Annual Remuneration	645,441	600,000
Performance Bonus	61,962	72,000
Total	707,403	672,000

Remuneration of the Strategic Executive: Finance

Annual Remuneration	543,952	511,629
Performance Bonus	60,589	39,203
Total	604,541	550,832

Remuneration of Individual Strategic Executives

	<u>Infrastructure Development</u>	<u>Corporate Services</u>	<u>Community Services</u>
	R	R	R
30 June 2006			
Annual Remuneration	504,907	504,907	504,907
Performance Bonuses	48,471	48,471	60,589
Total	553,378	553,378	565,496
30 June 2005			
Annual Remuneration	478,585	478,585	478,585
Performance Bonuses	57,430	57,430	57,430
Total	536,015	536,015	536,015

21 REMUNERATION OF COUNCILLORS

Executive Mayor	496,957	440,012
Speaker	332,463	312,007
Members	3,053,077	2,355,124
Councillors	4,343,467	3,278,485
Remuneration	8,225,964	6,385,628

In-kind Benefits

The Executive Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time VIP Security personnel.

22 INTEREST PAID

External loans	11,087,182	11,288,583
Arrear Creditors Accounts	210,626	93,709
Finance leases	0	27,995
Bank overdrafts	121,475	247,101
Total Interest on External Borrowings	11,419,283	11,657,388

23 BULK PURCHASES

Electricity	37,473,468	35,778,102
Water	27,413,367	27,453,600
Total Bulk Purchases	64,886,835	63,231,702



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

24 GRANTS AND SUBSIDIES PAID

Grant to SPCA	91,086	0
	91,086	0

Subsidy to the SPCA is to assist Council to fulfill the function in accordance with Annexure B, Powers, Duties and Functions of Local Municipalities read with section 4(1)a of the North-West Provincial Notice 509 of 2005 establishment notice of Merafong City Local Municipality within the North-West Province. The subsidies is paid according to the Service Level Agreement.

25 GENERAL EXPENSES

Included in general expenses are the following:-

25.1 Khutsong Disaster	234,481	0
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Following the decision of the Demarcation Board to incorporate Merafong into the North-West Province the residents of Khutsong were unsatisfied and resorted to violence. The Councillors residing in Khutsong houses were burnt down and the councillors had to be evacuated and resettled.

26 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -

26.1 Statutory Funds

Balance previously reported: -

Asset Financing Fund	3,041,659
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Implementation of Grap

Transferred to Housing Development Fund	1,254,828
Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)	1,786,831
Total	3,041,659

26.2 Reserves

Balance previously reported

Non Distributable Reserve	65,176,210
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Implementation of Grap

Transferred to Government Grant Reserve (see 26.7 below)	10,937,924
Transferred to Unspent Conditional Grants and Receipts	29,575,833
Transferred to Accumulated Surplus (Deficit) (see 26.7 below)	24,662,453
Total	65,176,210

26.3 Provisions

Balance previously reported

Leave Pay	8,731,733
Long Service Provision	(7,605,437)
Redundant Stock	216,546
	874,100

Implementation of Grap

Transferred to Creditors (see 26.5 below)	2,216,942
Transferred to Accumulated Surplus/(Deficit) (see 26.6 below)	(7,605,437)
	1,090,646

26.4 Inventory

Balance previously reported

Implementation of GRAP	5,598,736
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Potable Water	332,762
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Total	5,931,498
Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)	332,762



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

26.5 Unspent Conditional Grants and Receipts

Balance previously reported	0	-
Implementation of GRAP		
Transfer from the Non Distributable Reserve	29,575,833	
Total	29,575,833	
Transferred from Statutory Funds (see 26.2 above)	29,575,833	

26.6 Creditors

Balance previously reported	33,108,264	-
Implementation of GRAP		
Leave Pay	7,605,437	
Total	40,713,701	
Transferred from Provisions (see 26.3 above)	7,605,437	

26.7 Accumulated Surplus/(Deficit)

Balance previously reported	(7,293,276)	
Implementation of GRAP		
Adjustments to Statutory Funds	1,786,831	
Adjustments to Reserves	24,662,453	
Adjustments to Provisions and Reserves	(1,090,646)	
Adjustments to Inventory	332,762	
	25,691,400	
Total	68,217,870	

27 CORRECTION OF ERROR

During the year ended 30 June 2005, housing subsidy claims to the Gauteng Housing Board was expensed as expenditure operating grants -

During the year ended 30 June 2003, the transfer balance of Fochville bank account was overstated
The comparative amount has been restated as follows: -

Corrections of housing claims expended as operating expenditure	1,271,495	0
Corrections of Fochville bank account	71,076	
Net effect on surplus/(deficit) for the year	1,342,571	0

28 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year	83,682,228	67,878,583
Adjustment for:-		
Depreciation	3,225,039	1,491,938
Gain on disposal of property, plant and equipment	(3,810,805)	(1,706,870)
Transfer to Capital	(23,940,298)	(23,651,549)
Transfer to Provisions	(35,222,415)	(46,424,142)
Correction of Error	2,597,399	1,279,072
Interest paid	11,419,283	11,657,388
Investment income	(8,657,831)	(6,586,423)
Operating surplus before working capital changes:	29,292,599	3,937,997
Decrease in Inventories	343,959	51,487
(Increase)/Decrease in Debtors	4,009,874	18,411,504
(Increase)/Decrease in other Debtors	(4,352,634)	(1,055,864)
(Decrease)/Increase in conditional grants and receipts	21,568,081	28,304,338
Increase in Provisions	747,512	(4,366,907)
Increase in Creditors	(2,128,457)	6,536,955
Increase in VAT	14,967,660	58,424
Cash generated by/(utilised in) operations	64,448,596	51,877,934



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	0	0
Bank overdrafts	(7,773,330)	(11,975,462)
Call investment deposits	83,676,016	18,644,177
Total cash and cash equivalents	75,902,686	6,668,715

30 UTILISATION OF LONG-TERM LIABILITIES

Long-term liabilities (see Note 2)		
Used to finance property, plant and equipment – at cost	507,847	0
Sub- total	507,847	0
Cash set aside for the repayment of long-term liabilities	0	0
Cash invested for repayment of long-term liabilities (see note 14)	0	0

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
31 EXPENDITURE DISALLOWED

31.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful		
Opening balance	15,882	0
Fruitless and wasteful expenditure current year	886,554	15,882
Condoned or written off by Council	(15,882)	0
To be recovered – contingent asset	-	0
Fruitless and wasteful expenditure awaiting condonement	886,554	15,882

Incident	Disciplinary steps/criminal
Money Lost in Fochville	Outstanding Disciplinary case - SAPS case number 712/6/2006

Incident	Disciplinary steps/criminal
Water Tanker Stolen	Outstanding Disciplinary case - SAPS case number 363/12/2004

Incident	Disciplinary steps/criminal
Cheque Fraud	Outstanding Disciplinary case - SAPS case number 166/06/2006

31.2 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	0	0
Irregular expenditure current year	0	0
Condoned or written off by Council	0	0
Transfer to receivables for recovery – not condoned		0
Irregular expenditure awaiting condonement	0	0



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

32 MANAGEMENT ACT 2003, (Act 56 of 2003)

32.1 Contributions to organized local government

Opening balance	0	0
Council subscriptions	383,536	347,133
Amount paid - current year	(383,536)	(347,133)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

32.2 Audit fees

Opening balance	0	0
Current year audit fee	1,745,954	1,268,538
Amount paid - current year	(1,745,954)	(1,268,538)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

32.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance	0	0
Current year payroll deductions	11,870,933	10,020,886
Amount paid - current year	(11,870,933)	(10,020,886)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

32.5 Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Council Contributions	27,438,746	14,913,103
Amount paid - current year	(27,438,746)	(14,913,103)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0



MERA FONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

32.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:-

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
	<u>R</u>	<u>R</u>	<u>R</u>
30th June 2006			
KI Molefe	2,204.29	107.80	2,096.49
MD Modiselle	5,159.15	94.19	5,065.30
A Ntshabele	6,105.48	103.43	6,002.05
PN Gulubele	8,421.52	421.52	8,000.00
ZF Mxabano	8,758.10	736.01	8,022.09
P Molamu	4,444.27	854.73	3,589.54
P Salane	5,187.38	98.90	5,088.48
Total Councillors Arrear Consumer Accounts	40,280.19	2,416.58	37,863.95
30th June 2005			
Councillor VH Ngantweni	4,128	979	3,149
Total Councillor Arrear Consumer Accounts	4,128	979	3,149

During the year the following Councillors' had arrear accounts:
 Outstanding for more than 90 days

	<u>Highest Amount Outstanding</u>	<u>Ageing Days</u>
	<u>R</u>	
30th June 2006		
KI Molefe	3,196.91	120+
MD Modiselle	6,178.58	120+
A Ntshabele	7,440.90	120+
PN Gulubele	9,317.50	120+
ZF Mxabano	8,938.64	120+
P Molamu	5,389.54	120+
P Selane	6,187.38	120+
30th June 2005		
None		

33 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

	49,872,419	29,575,833
Infrastructure	45,619,351	29,575,833
Community	1,157,778	0
Heritage	0	0
Other	3,095,290	0

- Approved but not yet contracted for

	0	0
Infrastructure	0	0
Community	0	0
Heritage	0	0
Other	0	0

Total	49,872,419	29,575,833
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This expenditure will be financed from:

- External Loans		
- Government Grants	46,647,420	29,575,833
- Own resources	0	0
- District Council Grants	3,224,999	0
	49,872,419	29,575,833



MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

34 RETIREMENT BENEFIT INFORMATION

Some employees belong to a defined benefit retirement fund administered by the Provincial Pension Fund. The Joint Municipal pension fund is a defined benefit Fund and subjected to a triennial actuarial valuation. The last valuation was performed in December 2004. These valuations indicate that the fund are in a sound financial position. The estimated liability of the funds is R1 562 237 000 which is adequately financed by assets of R1 620 835 000

An amount of R18.5 million (2005 : R11 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

35 CONTINGENT LIABILITY

35.1 Khutsong Disaster

Following the decision of the Demarcation Board to incorporate Merafong into the North-West Province the residents of Khutsong were unsatisfied and resorted to violence. The Council offices were burnt down and needs to be rebuilt. The settlement from SASRIA is not known at the time of reporting. The extend of the Liability cannot be determined at this stage.

35.2 MAX Proff

3,411,472

An independent VAT audit was performed by Max Proff. A Claim of R15 162 097 78 was lodged with SARS. Max Proff is entitled to 22.5% commission if the claim is successful

35.3 Third Party Claims

984,172

Various third party claims were outstanding at year end

36 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

APPENDIX A

SCHEDULE OF LONG-TERM LIABILITIES

	INTEREST RATE	REDEMPTION DATE	LOAN NO.	BALANCE AS AT 01/07/2005 R	RECEIVED DURING THE YEAR R	REDEEMED OR WRITTEN OFF DURING THE YEAR R	BALANCE AS AT 30/06/2006 R	CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT R	OTHER COSTS IN ACCORDANCE WITH THE MFMA R
STOCK									
INCA	17.50%	2016/06/30	2	17,000,000	0	17,000,000	0	See Note 2	
INCA	16.95%	2016/06/30	3	9,000,000	0	9,000,000	0	See Note 2	
INCA	16.50%	2016/06/30	4	20,000,000	0	20,000,000	0	See Note 2	
INCA	16.95%	2011/06/30	6	4,000,000	0	4,000,000	0	See Note 2	
New Era Life Insurance Co Ltd	18.25%	2006/06/30	10	100,000	0	100,000	0	See Note 2	
INCA	18.25%	2016/06/30	11	150,000	0	150,000	0	See Note 2	
First Nevison Stockbrokers	18.25%	2006/06/30	12	50,000	0	50,000	0	See Note 2	
INCA	18.00%	2016/06/30	FV04-S	2,000,000	0	0	2,000,000	See Note 2	
ABSA	16.50%	2016/06/30	STDBANK002	2,000,000	0	0	2,000,000	See Note 2	
INCA	17.45%	2008/12/30	FVL108Z-S	1,100,000	0	0	1,100,000	See Note 2	
TOTAL				55,400,000	0	50,300,000	5,100,000		0
EXTERNAL LOANS									
FBC Fidelity Investment	Floating	2008/10/24	FBC57492000383	11,000,000	0	0	11,000,000	See Note 2	
INCA	10.97%	2016/06/30	MER-00-0001	50,150,000	50,150,000	0	50,150,000	See Note 2	
Development Bank of South Africa	Floating	2011/12/31	25655	4,917,719	507,847	691,971	4,733,595	7,891,202	
TOTAL				15,917,719	50,657,847	691,971	65,883,595	7,891,202	0
FINANCE LEASES									
ABSA	Floating	2006/12/01	57118305	148,216	0	98,810	49,406	132,981	
ABSA	Floating	2008/08/01	62567029	572,513	0	180,793	391,720	293,193	
ABSA	Floating	2008/09/01	59359628	590,572	0	181,715	408,857	322,435	
ABSA	Floating	2008/12/01	62986064	1,046,254	0	313,876	732,378	821,599	
ABSA	Floating	2008/10/01	63109784	480,742	0	137,355	343,387		
ABSA	Floating	2009/12/01	65699163	61,790	0	13,731	48,059	52,994	
ABSA	Floating	2008/05/01	671655611	91,957	0	38,061	53,896	71,760	
TOTAL				2,992,044	0	964,341	2,027,703	1,694,962	0
TOTAL LONG-TERM LIABILITIES				74,309,763	50,657,847	51,956,312	73,011,298	9,586,164	

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	HISTORICAL COST				ACCUMULATED DEPRECIATION				CARRYING VALUE
	Opening Balance 01/07/2005	Additions	Disposals	Closing Balance 30/06/2006	Opening Balance 01/07/2005	Additions	Disposals	Closing Balance 30/06/2006	
LAND AND BUILDINGS									
Land									
Buildings	77,933,037	7,200,387		85,133,424	75,429,602	103,049		75,532,651	9,600,773
	77,933,037	7,200,387	0	85,133,424	75,429,602	103,049	0	75,532,651	9,600,773
INFRASTRUCTURE									
Electricity	80,368,752	1,714,881		82,083,633	77,383,069	170,392		77,553,461	4,530,172
Roads	79,242,303	5,542,767		84,785,070	60,781,481	1,347,019		62,128,500	22,656,570
Water	37,027,564	595,159		37,622,723	31,877,717	134,302		32,012,019	5,610,704
Sewage	55,356,241	9,819,288		65,175,529	47,246,190	452,341		47,698,531	17,476,997
Pedestrian walks	2,407,737	192,958		2,600,695	2,407,696	5,204		2,412,900	187,795
Airports	79,125			79,125	79,123			79,123	2
Security Measures	1,668,472			1,668,472	1,668,352			1,668,352	120
	256,150,194	17,865,053	0	274,015,247	221,443,628	2,109,258	0	223,552,886	50,462,361
COMMUNITY ASSETS									
Community Facilities	13,642,732	1,084,418		14,727,150	0			0	14,727,150
Recreation grounds	7,858,200	93,542	0	7,951,742	7,753,236	7,480		7,760,716	191,026
	21,500,932	1,177,960	0	22,678,892	7,753,236	7,480	0	7,760,716	14,918,176
HERITAGE ASSETS									
Heritage assets	122,698	0	0	122,698	0	0	0	0	122,698
	122,698	0	0	122,698	0	0	0	0	122,698
OTHER ASSETS									
Investment properties	7,084,310	4,459		7,088,769	0			0	7,088,769
Office equipment	3,416,783	644,718	27,625	4,033,876	2,877,362	158,635	39,404	2,996,593	1,037,283
Furniture & Fittings	5,850,325	182,945	54,731	5,978,539	5,653,980	22,380	53,652	5,622,708	355,831
Bins & Containers	1,412,331			1,412,331	1,412,260			1,412,260	71
Emergency equipment	224,266		2,602	221,664	220,947	612	2,147	219,412	2,252
Motor vehicles	13,662,994	18,240	4,496,566	9,184,668	11,767,991	383,942	3,692,554	8,459,379	725,289
Plant & Equipment	12,595,734	504,700	3,048,435	10,051,999	11,191,590	439,682	3,048,845	8,582,427	1,469,572
Inventory items	2,019,635		1,447	2,018,188	2,017,833		1,437	2,016,396	1,792
Rented Assets	124,754			124,754	0			0	124,754
	46,391,133	1,355,062	7,631,407	40,114,788	35,141,963	1,005,251	6,838,039	29,309,175	10,805,613
TOTAL	402,097,994	27,598,462	7,631,407	422,065,049	339,768,429	3,225,038	6,838,039	336,155,428	85,909,621

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	<u>Historical Cost</u>				<u>Accumulated Depreciation</u>				<u>Carrying Value</u>
	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Balance</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing Balance</u>	
	<u>01/07/2005</u>			<u>30/06/2006</u>	<u>01/06/2005</u>			<u>30/06/2006</u>	
Executive & Council	81,346,983	239,709	179,025	81,407,667	76,114,304	494,503	179,018	76,429,789	4,977,878
Finance & Admin	53,593,566	617,750	756,379	53,454,937	47,552,431	96,525	756,791	46,892,165	6,562,772
Planning & Development	29,392,080	1,241,098	72,199	30,560,979	28,685,569	28,331	72,197	28,641,703	1,919,276
Health	3,085,341	45,248	398,018	2,732,571	2,291,634	10,285	397,551	1,904,368	828,203
Community & Social Services	3,835,438	478,692	14,802	4,299,328	1,184,453	5,249	16,761	1,172,941	3,126,387
Housing	1,582,151	6,786,134	600	8,367,685	75,211	67,201	599	141,813	8,225,872
Public Safety	2,058,827	196,434	637,411	1,617,850	2,019,186	19,820	595,715	1,443,291	174,559
Sport & Recreation	16,488,526	132,943	1,711,477	14,909,992	11,658,119	47,088	1,711,459	9,993,748	4,916,244
Waste Management	67,035,494	10,144,728	1,883,269	75,296,953	58,049,443	732,579	1,883,242	56,898,780	18,398,173
Road Transport	21,102,048	5,079,496	378,215	25,803,329	2,634,399	1,351,374	378,203	3,607,570	22,195,759
Water	38,855,172	625,048	1,276,616	38,203,604	32,707,319	178,304	514,344	32,371,279	5,832,325
Electricity	76,948,180	2,007,985	323,396	78,632,769	73,837,426	193,420	332,159	73,698,687	4,934,082
Other	6,774,188	3,197	0	6,777,385	2,958,935	359	0	2,959,294	3,818,091
TOTAL	402,097,994	27,598,462	7,631,407	422,065,049	339,768,429	3,225,038	6,838,039	336,155,428	85,909,621

ANNEXURE D

**MERAFONG CITY LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2006**

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
671,407	688,328	(16,921)	<u>Executive & Council</u>	683,595	34,826,011	(34,142,416)
70,575,513	47,054,160	23,521,353	<u>Finance & Admin</u>	98,000,642	69,670,065	28,330,577
31,773,219	3,642,913	28,130,306	<u>Planning & Development</u>	32,572,040	29,148,840	3,423,200
2,261,024	7,089,478	(4,828,454)	<u>Health</u>	3,957,507	7,873,091	(3,915,584)
985,442	4,541,302	(3,555,860)	<u>Community & Social Services</u>	1,067,570	5,188,786	(4,121,216)
3,291	5,267,389	(5,264,098)	<u>Housing</u>	32,923	2,099,281	(2,066,358)
10,117,438	13,328,426	(3,210,988)	<u>Public Safety</u>	10,846,598	15,324,225	(4,477,627)
252,045	10,690,762	(10,438,717)	<u>Sport & Recreation</u>	170,639	13,608,975	(13,438,336)
79,828	1,407,026	(1,327,198)	<u>Environmental Protection</u>	200	1,195,373	(1,195,173)
20,445,667	16,127,638	4,318,029	<u>Waste Management</u>	28,757,119	28,014,775	742,344
2,089	4,011,491	(4,009,402)	<u>Road Transport</u>	0	5,304,785	(5,304,785)
47,084,280	66,127,819	(19,043,539)	<u>Water</u>	52,741,577	48,450,642	4,290,935
90,527,537	75,455,898	15,071,639	<u>Electricity</u>	98,499,802	53,112,450	45,387,352
27,569,500	24,439,621	3,129,879	<u>Waste Water Management</u>	17,942,813	6,936,211	11,006,603
302,348,280	279,872,251	22,476,029	Total	345,273,025	320,753,510	24,519,515

APPENDIX E(1)

MERAFONG CITY LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual (R)	2006 Budget (R)	2006 Variance (R)	2006 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	47,246,150	48,630,303	(1,384,153)	-2.85%	
Property rates - penalties imposed and collection	3,316,870	0	3,316,870	100.00%	During the budget process no budget was provided separately under this vote. Budget was provided under Interest Earned Outstanding Debtors
Service charges	148,393,186	155,918,821	(7,525,635)	-4.83%	
Rental of facilities and equipment	1,472,350	825,804	646,546	78.29%	The usage of Councils facilities were under estimated during the budget process. The Lapa which was burnt down were rebuilt.
Interest earned - external investments	8,657,831	6,189,906	2,467,925	39.87%	Interest earned from Fixed Deposits yielded more than was estimated.
Interest earned - outstanding debtors	5,667,392	4,087,880	1,579,512	38.64%	The growth in outstanding Debtors contributed to the discrepancy
Fines	2,375,675	5,028,925	(2,653,250)	-52.76%	Council appointed a service provider to assist with the collection of Fines. The project started slow and the envisaged collection was over estimated
Licenses and permits	2,500	3,160,377	(3,157,877)	-99.92%	The budget was incorrect.
Income for agency services	8,509,250	8,000,000	509,250	6.37%	
Government grants and subsidies	94,639,284	66,024,778	28,614,506	43.34%	During the budget process no budget was provided for Conditional Grants and Donations to be included under this vote
Other income	20,087,103	8,778,153	11,308,950	128.83%	Council appointed a service provider to do an audit on the past five years VAT returns. They have submitted a claim of in excess of 15 Million to the Receiver of Revenue.
Public contributions, donated/contributed PPE	1,094,629	0	1,094,629	100.00%	During the budget process no budget was provided for Conditional Grants and Donations to be included under this vote
Gains on disposal of property, plant and equipment	3,810,805	2,600,000	1,210,805	46.57%	Council appointed a fleet management company. Part of the solution was to auction most of councils old vehicles.
Total Revenue	345,273,025	309,244,947	36,028,080	11.65%	<i>The non inclusion of Conditional Grants and Subsidies of R30 Million and the R15 Million VAT claim contributed to the over collection.</i>

APPENDIX E(1)

MERAFONG CITY LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	<u>2006</u> Actual (R)	<u>2006</u> Budget (R)	<u>2006</u> Variance (R)	<u>2006</u> Variance (%)	<u>Explanation of Significant Variances</u> greater than 10% versus Budget
EXPENDITURE					
					The following reasons can be attributed to the over expenditure of this vote. 1) The increase in Councillors allowances payable from March 2006 of R1.3 Million was not known at the time of the adjustment budget. 2) The financial implication of the appointment of the fleet management company was not known at the time of the adjustment budget and contributed a further over expenditure of R2.3 Million. 3) During the year council was faced with major disciplinary cases against senior staff and this exhausted Legal Fees.
Executive & Council	34,826,011	30,585,223	4,240,788	13.87%	
Finance & Admin	69,670,065	80,800,352	(11,130,287)	-13.78%	The department did not fill all its vacancies.
Planning & Development	29,148,840	6,033,814	23,115,026	383.09%	The department did not fill all its vacancies.
Health	7,873,091	8,731,262	(858,171)	-9.83%	
Community & Social Services	5,188,786	5,428,930	(240,144)	-4.42%	
Housing	2,099,281	2,948,178	(848,897)	-28.79%	The department did not fill all its vacancies.
Public Safety	15,324,225	16,278,554	(954,329)	-5.86%	
Sport & Recreation	13,608,975	14,496,584	(887,609)	-6.12%	
Environmental Protection	1,195,373	1,527,364	(331,991)	-21.74%	The department did not fill all its vacancies.
Waste Management	34,950,986	26,044,101	8,906,885	34.20%	The over expenditure is attributed to large provision for bad debt that was debited against this vote.
Road Transport	5,304,785	3,778,633	1,526,152	40.39%	The over expenditure is as a result of Depreciation that was debited against this vote. Depreciation was budgeted for under Finance.
Water	48,450,642	46,956,420	1,494,222	3.18%	
Electricity	53,112,450	65,635,532	(12,523,082)	-19.08%	The under expenditure is as a result of a smaller contribution to provision for bad debt as was budgeted for.
Total Expenditure	320,753,510	309,244,947	11,508,563	3.72%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	24,519,515	0	24,519,515	100.00%	The surplus is as a result of the non budget for conditional grants and donations and the VAT claim as mentioned above.

APPENDIX E(2)

MERAFONG CITY LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	%	
Executive & Council	239,709	239,709	2,397,280	2,157,571	90.00%	Council budgeted for R2 Million to furnish the new council chambers from an External Loan. This not materialised as Council appointed a service provider that have provided the furniture under a operational lease.
Finance & Admin	617,750	617,750	8,728,030	8,110,280	92.92%	It was envisaged that council would take up an External Loan of R8 Million to upgrade the Council offices. This did not materialise.
Planning & Development	1,241,098	1,241,098	2,383,402	1,142,304	47.93%	Two projects budgeted for by Local Economic Development could not be completed by year-end and will roll over to the next financial year.
Health	45,248	45,248	82,138	36,890	44.91%	Not all clinic equipment budgeted for was purchased.
Community & Social Services	478,692	478,692	2,998,930	2,520,238	84.04%	An amount of R2 Million was budgeted for a Kokosi Youth centre that did not materials.
Housing	6,786,134	6,786,134	622,602,422	615,816,288	98.91%	A budget was provided for the new Khutsong extensions of R520 Million. The project is in the planning phase and will be a roll over-All other housing projects could not be completed and is all over as well.
Public Safety	196,434	196,434	261,925	65,491	25.00%	Not all equipment budgeted for was purchased.
Sport & Recreation	132,943	132,943	324,500	191,557	59.03%	Not all equipment budgeted for was purchased.
Waste Management	10,144,728	10,144,728	7,111,294	-3,033,434	-42.66%	The over expenditure is as a result of the two new Waste Water Treatment Plants that council had to commence with. The new Khutsong extensions can not be commenced with without the new Waste Water Treatment plant.
Road Transport	5,079,496	5,079,496	7,682,490	2,602,994	33.88%	Not all projects could be completed this financial year and are roll overs.
Water	625,048	625,048	16,061,119	15,436,071	96.11%	Not all projects could be completed this financial year and are roll overs.
Electricity	2,007,985	2,007,985	2,802,400	794,415	28.35%	Not all projects could be completed this financial year and are roll overs.
Other	3,197	3,197	20,500	17,303	84.40%	Not all equipment budgeted for was purchased.
TOTAL	27,598,462	27,598,462	673,456,430	645,857,968	95.90%	The major under spending is as a result of the R520 Million budgeted for the new Khutsong extensions and projects that could not be completed on time that must roll over to the next financial year.

APPENDIX F

MERAFONG CITY LOCAL MUNICIPALITY DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity																Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld							
		March	June	Sept	Dec	March	March	June	Sept	Dec	March	March	June	Sept	Dec	March			
Equitable Share	National Treasury			19,772,320	19,772,320	19,772,320	14,829,240	14,829,240	14,829,240	14,829,240							Nil	Yes / No Yes	
				19,772,320	19,772,320	19,772,320	14,829,240	14,829,240	14,829,240	14,829,240									

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share